

Role of Risk Management and Agency Governance

Mark Beasley

Deloitte Professor of Enterprise Risk Management and Director,
NC State's ERM Initiative

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Huge Management Challenge

Increasing Risks and Complexities

Economic
Downturn

Liquidity

Higher Expectations for Effective Risk Oversight

Management

Complex Business
Transactions

Explosion of Technology

interconnected – with a cascading impacts

R.I.S.K

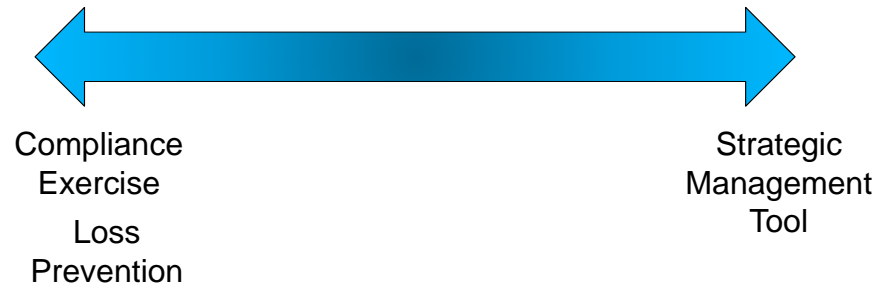
48%

Describe their Risk Oversight
as
Very Immature or Developing

43%

Dissatisfied
with
Entity's Risk Oversight

Most Fail to See Value



Only 11% say their enterprise's risk oversight is **extensively** or **mostly** providing strategic competitive advantage

Board Views on Risk Oversight

Only 13%

of non-profit boards say risk oversight is either "**effective**" or "**highly effective**"

Only 15%

Indicate board is **satisfied** with process to monitor environment for changes that could impact strategy and risks

Just over 52%

of all boards understand and challenge organization's **strategies** and **inherent risks**

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ERM

ENTERPRISE RISK MANAGEMENT

Traditional Risk Mgt Approach

Strategic Risks

Operations Risks

Finance Risks

Human Capital Risks

IT Risks

Legal Risks

Reputation Risks

Page 7

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ENTERPRISE RISK MANAGEMENT

Risk

Risk

Strategic Risks

Operations Risks

Finance Risks

Human Capital Risks

IT Risks

Legal Risks

Reputation Risks

Risk

Risk

Risk

Risk

Risk

Risk

Risk

“Silo” or “Stove-Pipe” Risk Management

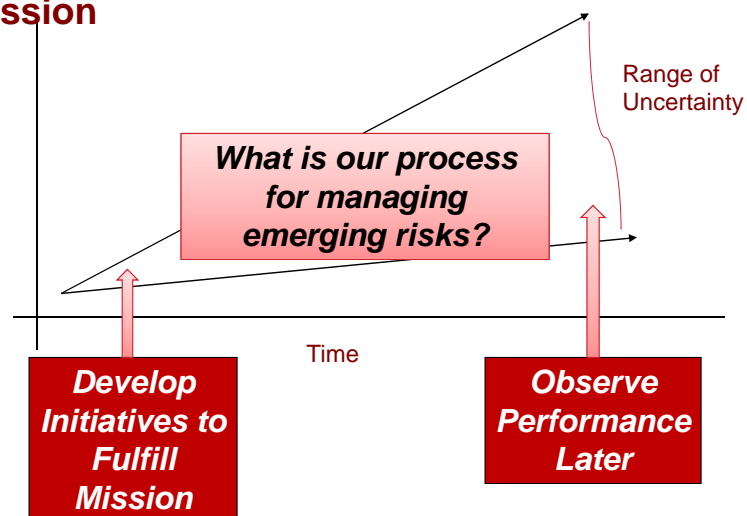
Risk

Risk

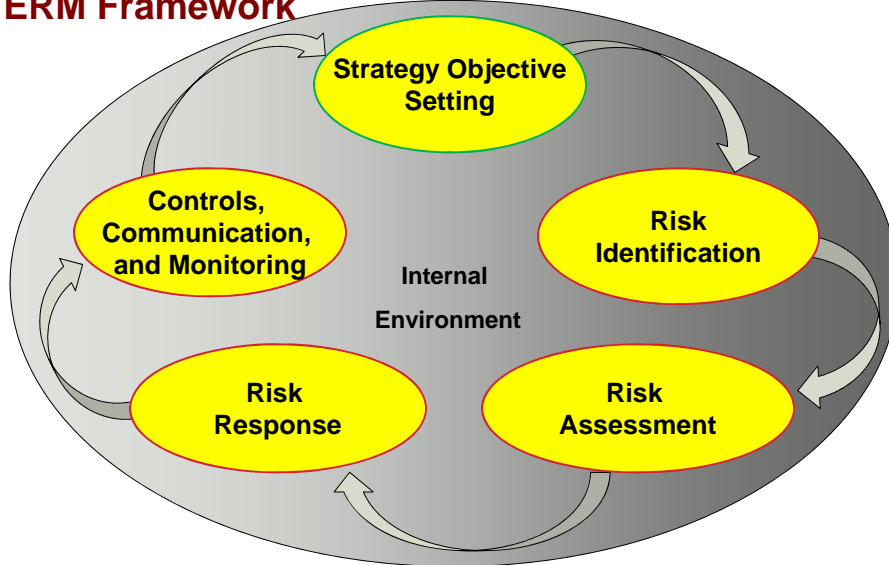
Page 8

Risk & Return

Risk Oversight is All About Fulfilling Mission



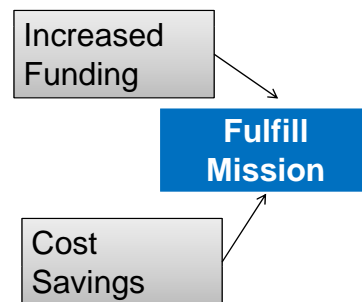
ERM Framework



Source: The Committee of Sponsoring Organizations of the Treadway Commission

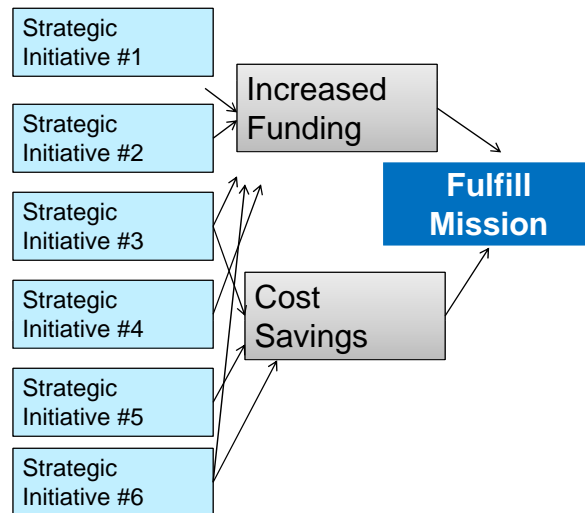
Page 11

Linking Strategies to Objectives



Page 12

Linking Strategies to Objectives



Page 13

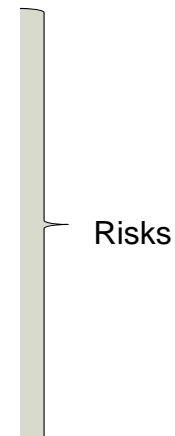
Analysis of Strategy

1. What must go right for strategy to be successful?

- Processes, people, technologies

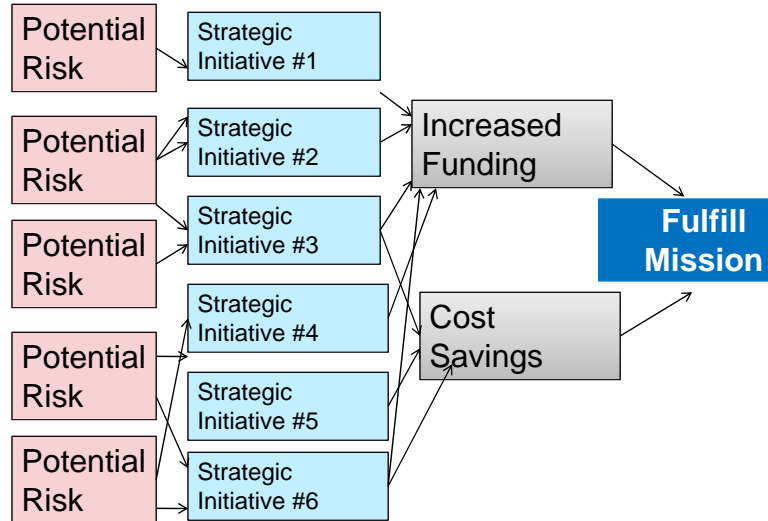
2. What assumptions are we making?

- How Developed, Impact if Volatile, How Monitored?



Page 14

Linking Risks to Strategies to Objectives



Page 15

Create an Enterprise Strategic View of Risks

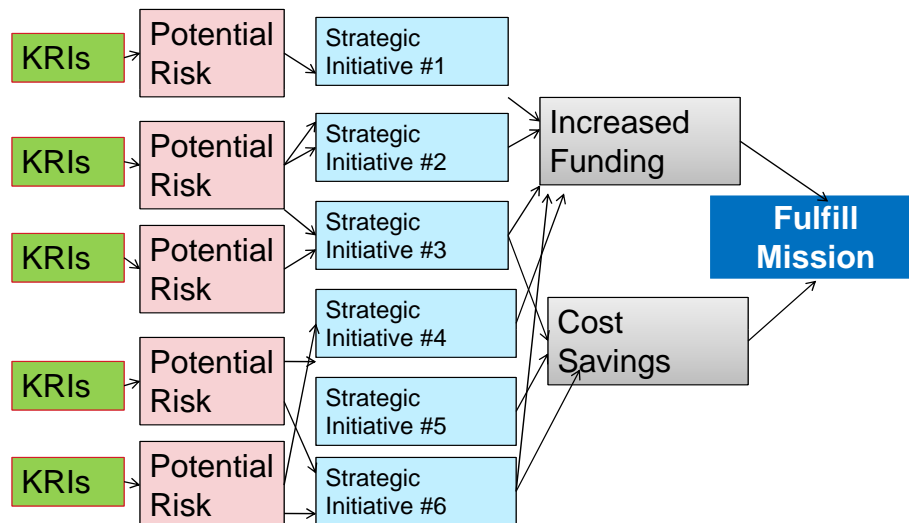
Key Risks Identified	Strategic Initiative #1	Strategic Initiative #2	Strategic Initiative #3	Strategic Initiative #4
Strategies →				
Risk #1	x	x		
Risk #2		x		x
Risk #3	x		x	
Risk #4	x	x	x	x
Risks ←				
Risk #5	x			
Risk #6		x		x
Risk #7	x		x	
Risk #8			x	
Risk #9		x		
Risk #10	x		x	

Page 16

How Are We Managing Risks?

1. *How are we currently managing this risk?*
2. *Is risk response appropriate and adequate?*
3. *Should we do something differently?*
4. *Who owns this risk?*

Linking KRIs to Risks to Strategies to Objectives



KPIs vs. KRIs

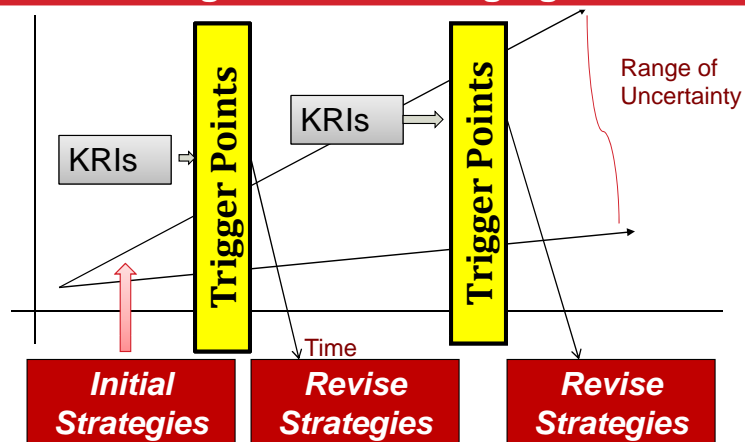


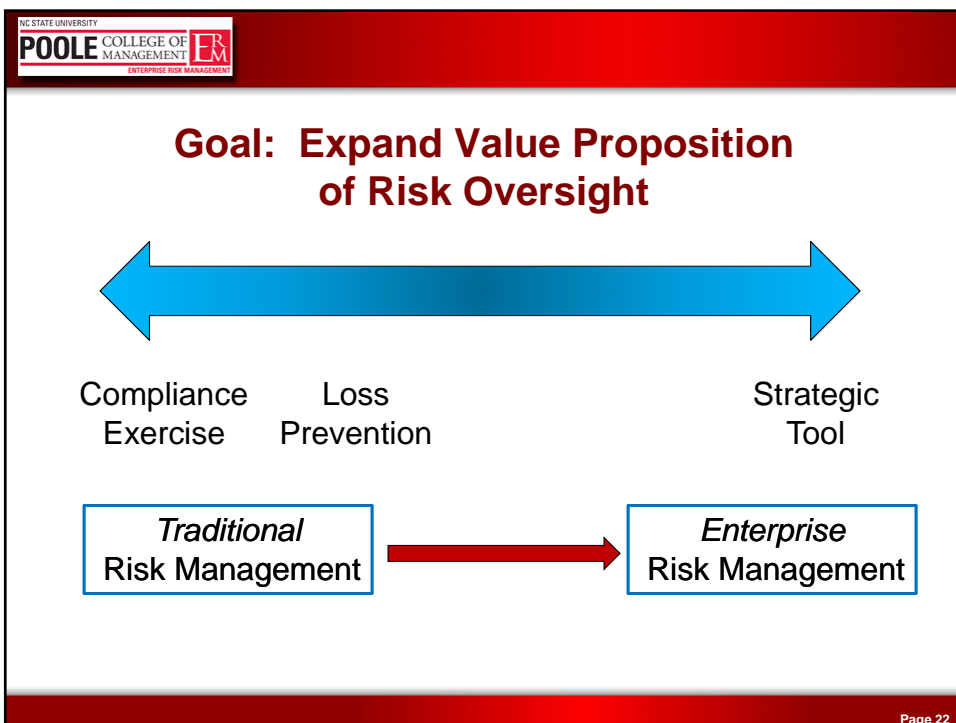
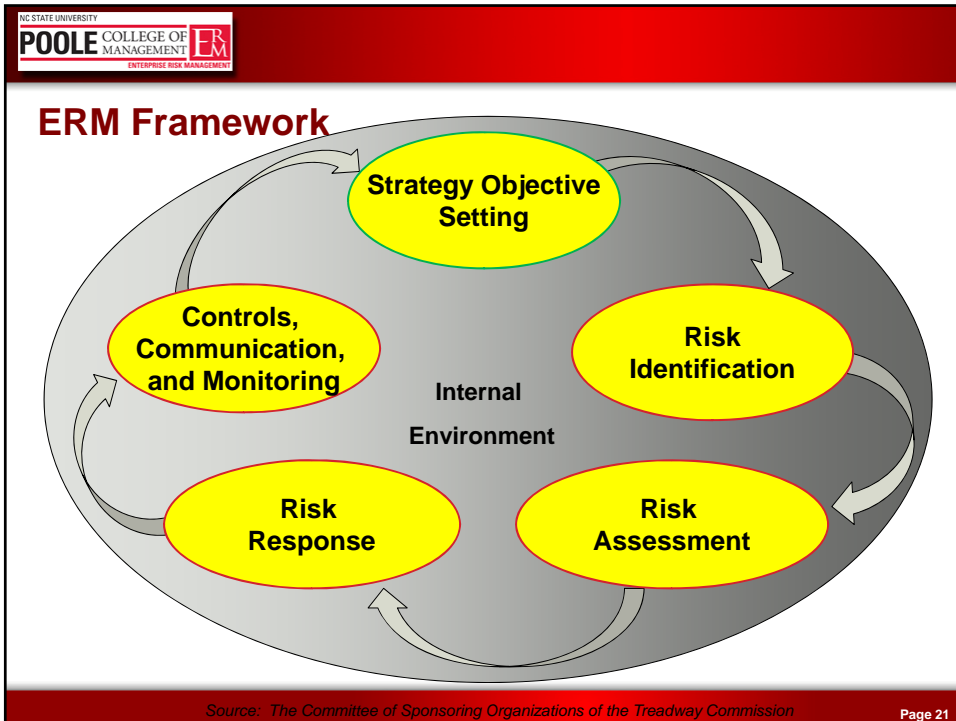
Historical



Forward Looking

Proactive Management of Emerging Risks





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RISK. MANAGED.

The ERM Initiative was created to meet a growing need for new tools, methods, and strategies that will help businesses manage risk more effectively across the enterprise – and remain competitive.

The role of ERM in Strategic Planning

ERM Graduate Business Courses

ERM IN THE NEWS

09.09.2009
New ISO Risk Management Standard Approved for Issuance
The International Organization for Standardization (ISO) has approved the final issuance of its first...
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ERM EVENTS

10.02.2009
ERM Roundtable - "Strengthening Risk Oversight: Practical Lessons from Cree, Inc."
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ERM RESOURCES

07.22.2009
S&P Issues Progress Report on ERM Integration into Credit Ratings
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ERM in the News
Volume 3, No. 12
October 25, 2010

The Enterprise Risk Management Initiative (ERM Initiative) at North Carolina State University's College of Management is sending you this brief e-mail newsletter to highlight the following recent ERM-related news:

1. Linking ERM and Strategy: An Example from Target Corporation
2. Panel of ERM Experts Discusses "The Value Proposition of ERM: Strategic or Compliance?"
3. Department of Homeland Security Studies Risk Management Practices in Private Sector
4. Managing Risks at Social Media
5. An Address to Value of Board & Role in Risk Management
6. Five Issues for Audit Committee Consideration of Risk
7. Recent Business Week Article Highlights Risk Leadership Needs
8. Evaluating Impact of Compensation Plans

See the following for additional information:

Linking ERM and Strategy: An Example from Target Corporation
Launching an ERM process can be a daunting task, especially in large, complex organizations. The importance of keeping the risk oversight process simple, but strategic, can be the key to realizing strategic value from ERM. Tony Henshaw, Vice President of Corporate Risk and Responsibility at Target Corporation, shared insights from his experience in helping strengthen their organization's integration of enterprise risk oversight and strategy. Creating opportunities for executive management dialogue about critical emerging risks is proving to be invaluable as the company navigates the highly competitive retail business in the new economy. [Read about the Target experience.](#)

Panel of ERM Experts Discusses "The Value Proposition of ERM: Strategic or Compliance?"
The ERM Initiative's October 1, 2010 ERM Roundtable Summer featured a panel of executives responsible for ERM leadership at organizations including Advance Auto Parts, Standard & Poor's, RTI International, and Public Service Enterprise Group that discussed the topic of positioning ERM for

Twice monthly distribution

Page 24



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Mark S. Beasley
Deloitte Professor
of Enterprise Risk Mgt

Bonnie Hancock
Executive Director
ERM Initiative

Bruce Branson
Associate Director
ERM Initiative

